

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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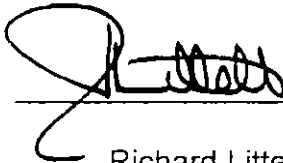
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POSTAL RATE AND FEE CHANGES, 1997) Docket No. R97-1
_____)

FIRST SET OF FOLLOW-UP INTERROGATORIES OF MAJOR MAILERS ASSOCIATION TO UNITED STATES POSTAL SERVICE REGARDING OCTOBER 21, 1997 RESPONSE

Major Mailers Association asks the United States Postal Service to answer the following follow-up interrogatories pursuant to Rules 25 and 26 of the Commission's Rules of Practice and Procedure. In answering these interrogatories, the Service is requested to note that, in POR No. R94-1/18 (page 6), the Presiding Officer disagreed with a contention that if a new analysis is required in order to provide requested information, that information is not "available" under Commission Rule 25(a). "The available," the Presiding Officer ruled, "is that which is possible to obtain." See also POR No. R94-1/38 (page 5).

Respectfully submitted,

MAJOR MAILERS ASSOCIATION



Richard Littell
1220 Nineteenth St. N.W.
Suite 400
Washington, DC 20036
Phone: (202) 466-8260

October 23, 1997

MMA INTERROGATORIES TO POSTAL SERVICE

MMA/USPS-FU-2

Please refer to the Postal Service's October 21 Response to Order No. 1197, Table II-2, where the Service lists the total mail processing unit cost results for the following categories of First-Class letter and cards: (a) Nonautomation presort, (b) Automation basic presort, (c) Automation 3-digit presort, (d) Automation 5-digit presort, and (e) Automation carrier route presort.

Please confirm (as requested by the Interrogatory) that the information provided in this Response "shows how the costs of First-Class letters would change if [the Service] had used the Commission-approved methodology."

MMA/USPS-FU-3

Please refer to Interrogatory MMA/USPS-FU-2 and to Order No. 1197, pages 6-7 and 8, where the Commission said that witness Hatfield's "unit costs [for the various rate categories of First-Class letters and cards] provide the basis of worksharing discounts for First-Class letters and cards because they indicate the amount of costs avoided by the various worksharing categories" and "The effect of the Postal Service's proposed changes in mail processing attribution methods on the cost avoidance calculations that underlie its proposed rate category discounts is information that is obviously relevant to evaluating both its proposed attribution methods and its proposed discounts. Indeed, it would be difficult to properly evaluate the Postal Service's proposed discounts without it."

(A) Is it possible to determine from the Table II-2 unit costs *alone*:

- (1) "[T]he basis of worksharing discounts for letter and cards" (See Order No. 1197, page 6)?
- (2) "[T]he amount of the costs avoided by the various worksharing categories" (See Order No. 1197, pages 6-7)?
- (3) "[T]he cost avoidance calculations that [should] underlie...rate category discounts" (See Order No. 1197, page 8)?

If the answer to any of the subparts of this Interrogatory is other than "no," please explain in detail and provide a calculation of the basis of the discounts, the amount of costs avoided, and the cost avoidance calculations that should underlie First-Class rate category discounts under the Commission's methodology.

MMA/USPS-FU-4

Please refer to Interrogatory MMA/USPS-FU-2 and to Exhibit USPS-T32, page 19, where the Postal Service witness stated that "cost avoidances and the resulting discounts are measured by subtracting the cost of the rate category under consideration from the benchmark cost" and that "the benchmark is just as critical as the measured cost of the rate category in determining the discount." Please also refer to Exhibit USPS-T32, pages 19-21, where the Postal Service witness disapproved the use of "all presorted letters as a benchmark," saying that instead: "The specific benchmark I used in setting the discounts for bulk automation letters is the sum of mail processing and delivery costs *for bulk metered mail*" (Italics added).

If the Commission decides to establish discounts by using the methodology

implicit in the Table II-2 of the October 21 Response and the unit costs shown in that Table, does the Postal Service still believe that:

- (A) Cost avoidances and the resulting discounts should be measured by subtracting the (labor plus delivery) cost of the rate category under consideration from the benchmark cost?
- (B) The benchmark is just as critical as the measured cost of the rate category in determining the discount?
- (C) The unit costs of all presorted letters should not be used as a benchmark?
- (D) The specific benchmark that should be used in setting the discounts for bulk automation letters is the sum of mail processing and delivery unit costs *for bulk metered mail*?

MMA/USPS-FU-5

Please refer to Interrogatory MMA/USPS-FU-4.

- (A) Does the Postal Service's October 21 Response to Order No. 1197 show a unit processing cost for the bulk metered mail benchmark for First-Class letters, computed in accordance with the Commission's methodology ?
- (B) Has the Postal Service submitted any other document in this proceeding that shows the unit processing cost for the bulk metered mail benchmark for First-Class letters, computed in accordance with the Commission's methodology? If so, please provide a copy of that document or (if it is voluminous) a citation to

the place in the record where that benchmark is available.

MMA/USPS-FU-6

Please refer to Interrogatories MMA/USPS-FU-4 and FU-5 and to the Postal Service's October 16 Response to Order No. 1197. In response to Interrogatory MMA/USPS-T25-1, the Postal Service said that "The unit benchmark processing costs in witness Hatfield's testimony...differ from those that would be produced under the Commission's costing methodology."

- (A) Does the Postal Service's unit cost for the bulk metered benchmark, used in Exhibit USPS-T32 (page 26) in conjunction with witness Hatfield's "unit processing costs" to derive the First-Class cost savings shown on that page, also "differ from [the bulk metered benchmark] that would be produced under the Commission's costing methodology"?
- (B) If the Commission decided to compute discounts according to its own methodology, using the unit processing costs shown in Table II-2 of the Service's October 21 Response, would it be proper and consistent with the Commission's methodology for the Commission to adopt the Postal Service's unit cost bulk metered benchmark used in Exhibit USPS-T32 (page 26) in conjunction with witness Hatfield's "unit processing costs" to derive the First-Class letter-discount?
- (C) If the answer to Subparagraph (B) is other than "no," please explain in detail why it is appropriate to derive discounts by subtracting unit costs derived under one methodology from a benchmark that is derived under a

different methodology?

MMA/USPS-FU-7

Please refer to Interrogatories MMA/USPS-FU-2 and FU-4 through 6. Please provide the unit processing cost for a bulk metered mail benchmark that is comparable to the unit processing costs shown in Table II-2 to the Service's October 21 Response to Order 1197 and that will provide the Commission with a consistent basis to employ the Table II-2 costs in making a determination, under the Commission's methodology, about:

- (1) "[T]he basis of worksharing discounts for letter and cards" (See Order No. 1197, page 6)?
- (2) "[T]he amount of the costs avoided by the various worksharing categories" (See Order No. 1197, pages 6-7)?
- (3) "[T]he cost avoidance calculations [for]...rate category discounts" (See Order No. 1197, page 8)?

MMA/USPS-FU-8

Please supply the workpapers that support the Service's October 21 Response to Order No. 1197, especially Table II-2 of that Response.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document, by First-Class Mail, upon the participants in this proceeding.

October 23, 1997


Jeff Plummer